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FISCAL IMPACT STATEMENT

LS 6095

BILL NUMBER: HB 1257

NOTE PREPARED: Feb 20, 2007

BILL AMENDED: Feb 20, 2007

SUBJECT: Property Tax Distributions to Charter Schools.

FIRST AUTHOR: Rep. Smith V

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Property Taxes:* This bill limits the amount distributed from a property tax levy imposed for a charter school to the amount collected from the levy, offset by any amount withheld to pay refunds or other overpayments.

The bill provides that any property tax collected for a charter school that exceeds the amount levied shall be used to temporarily reduce the levy imposed for the charter school in the immediately following year. It also includes transitional provisions.

Moratorium: The bill establishes a moratorium on the creation of new charter schools sponsored by certain entities in certain cities. The bill requires the Department of Education to compile and make available to the public data concerning the effectiveness of certain existing charter schools.

Effective Date: January 1, 2008.

Explanation of State Expenditures: (Revised) *Moratorium:* The bill establishes a moratorium on the creation of new charter schools sponsored by state educational institutions in Gary. Currently, Ball State University is the only university to sponsor charter schools. Ball State has sponsored about 9 schools in Gary.

The state impact will depend on the number of new charter schools that might not be sponsored due to the moratorium. The impact on the state also depends on the school formula that will be in effect for CY 2008, CY 2009, and CY 2010. The average tuition support revenue of charter schools in CY 2007 is estimated to be about \$4,673 per student.

The requirement that Department of Education compile and make available to the public data concerning the effectiveness of existing charter schools sponsored by state universities and the Gary School Corporation could impact the Department's costs. The additional cost would probably be minor and could be paid within the current appropriation.

Estimation Issues: As an example, under the current formula, a growth of about 100 students attending charter schools would cost the state between \$66,890 and \$467,300 depending if the students attended private or public schools the prior year. The state also pays Property Tax Replacement Credits (PTRC) on school General Fund levies. The same 100 students would change levies between -\$56,500 and \$236,500. The additional PTRC paid by the state would range between -\$37,300 and \$156,100.

Therefore under the current formula, the total net state savings of the moratorium per 100 students would range between \$30,000 and \$623,800.

Background: As of CY 2006 there were 27 approved charter schools with an enrollment of 5,690 students. Charter schools in CY 2006 received \$27.5 M in tuition support from the state and \$13.9 M in property taxes

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Property Taxes:* The bill provides that the levy allocation a school corporation levies for a charter school as part of its general fund levy will be treated like other property tax levies. Under current law, charter schools are guaranteed 100% of their property tax allocation regardless if a school corporation collects more or less than 100% of their allowable general fund levy. For CY 2007, charter schools are projected to receive about \$21.7 M in property taxes. The bill would shift property tax collections between charter schools and school corporations depending on if a school corporation collects more or less than 100% of their allowable levy.

As an example, if schools only collected 98% of their allowable levy, then charter schools would receive about \$434,000 less in property taxes and school corporations would receive about \$434,000 more in property tax collections. If schools collected 102% of their allowable levy then charter schools would receive \$21.7 M in property taxes, or 100% of the levy, and the additional 2% of the collections, or \$434,000, would be used to reduce the taxpayers' property tax cost the following year.

Moratorium: The impact will depend on the extent that additional charter schools were not created, the number of students that might have been enrolled in the schools, and future school funding formulas.

If the number of students attending charter schools increased, property taxes required by the current school funding formula either increases or decreases depending on the property tax the student generated the previous year in the school formula. The average general fund property tax levy for charter schools for CY 2007 is estimated to be \$2,365 per student. As an example, if 100 students did not attend charter schools due to this bill, the change in property taxes could range between a \$55,452 reduction and a \$235,400 increase.

State Agencies Affected:

Local Agencies Affected: Local schools.

Information Sources: Department of Education databases.

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